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Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 FMC-04 COME-00 DOTE-00 AGR-20

TRSE-00 AID-20 NSC-10 RSC-01 CIEP-02 SS-15 STR-08

OMB-01 CEA-02 XMB-07 L-03 H-02 CIAE-00 INR-10 NSAE-00

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FMC - MTRUPP (INFO)
MARAD - RGAGE
---------- 093671
R 171844 Z MAY 73
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

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E. O. 11652: N/ A
TAGS: ETRN, US, JA
SUBJECT: OCEAN SHIPPING: FLAG DISCRIMINATION - TOBACCO

REF: STATE A-2381 (PAGE 6), MARCH 17, 1973; 221704 AND
PREVIOUS

1. KEISUKE INUI, HEAD OF OVERSEAS SHIPPING DIVISION, SHIPPING BUREAU, MOT, ACCOMPANIED BY TOYOICHIRO NAKADA, SHIPPING ATTACHE, JAPANESE EMBASSY, MET WITH HOWARD CASEY, ASSISTANT ADMINISTRATOR FOR MARITIME AIDS AND OTHER USG OFFICIALS, MAY 14, TO REVIEW THE CONTINUING TOBACCO CARRIAGE/ COTTON WAIVER PROBLEM.

2. THE JAPANESE POSITION ON TOBACCO SHIPMENTS REMAINS ESSENTIALLY UNCHANGED. MR. INUI REITERATED THAT A) THE GOJ
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COULD NOT INFLUENCE AND DID NOT HAVE ANY LEVERAGE WITH THE

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JAPANESE TRADING HOUSES WHO PREFERRED TO SHIP ON JAPANESE LINES BECAUSE OF " SUPERIOR SERVICE" AND B) THE JAPAN TOBACCO MONOPOLY CORPORATION (JTMC), AS INDICATED LAST YEAR, IS STILL WILLING TO SHIP A PORTION OF TOBACCO IMPORTED FOR ITS OWN ACCOUNT (10 PERCENT OF TOTAL IMPORTS) ON US VESSELS ON A TRIAL BASIS IN AN EFFORT TO HELP DEMONSTRATE THAT US LINES CAN PROVIDE COMPARABLE SERVICE. TOBACCO SHIPMENT DATA PROVIDED BY MR. INUI INDICATED THAT IN 1971 AND 1972, 66,298 AND 74,534 HOGSHEADS OF TOBACCO, RESPECTIVELY, WERE IMPORTED INTO JAPAN. IN 1971, 13 TRADING HOUSES SHIPPED 60,871 AND THE JTMC IMPORTED 6,027 HOGSHEADS. THE FIGURES FOR 1972 WERE 66,257 AND 8,275 HOGSHEADS, RESPECTIVELY. ALL SHIPMENTS WERE MADE ON JAPANESE FLAG VESSELS.

3. MR. CASEY, SPEAKING FOR MARAD, COUNTERED THAT WHILE THE OFFER OF THE JTMC WAS A STEP IN THE RIGHT DIRECTION, THE TRIAL PERIOD CONCEPT WAS REALLY UNNECESSARY AS US LINES MOVE TOBACCO TO OTHER COUNTRIES WITH NO PROBLEMS AND IT DID NOT ADDRESS THE PROBLEM AT HAND, I. E. THE DE FACTO DISCRIMINATION AGAINST US VESSELS MOVING US TOBACCO TO JAPAN. PROVING THE DEPENDABILITY OF US FLAG VESSELS TO THE JAPANESE WOULD NOT CHANGE THE SITUATION. HE POINTED OUT THAT OF THE NUMEROUS COMMODITIES MOVING IN US FOREIGN COMMERCE, THE US WAS UNAWARE OF ANY COMMODITY, OTHER THAN TOBACCO IN THE JAPAN TRADE, THAT MOVED TOTALLY IN THE FLAG VESSELS OF THE TRADING PARTNER. THAT THIS SITUATION EXISTS IN THE TRADE IS A RELIABLE INDICATOR OF DE FACTO DISCRIMINATION. TO ARGUE THAT US LINE SHIPPING SERVICE IS NOT COMPARABLE TO THAT PROVIDED BY JAPANESE LINES AND BASE THIS ARGUMENT ON AN INCIDENT THAT OCCURRED IN 1956 BEGS THE QUESTION. EVIDENCE DEVELOPED BY MARAD INDICATES THAT THE TRADING HOUSES ARE CLOSELY ALIGNED WITH THE JTMC, AND THE US BELIEVES THEY COOULD BE PREVAILED UPON TO MAKE TOBACCO SHIPMENTS AVAILABLE ON A COMPETITIVE BASIS. THE US IS NOT SEEKING AN ALLOCATION SYSTEM, BUT THE OPENING UP OF THIS TRADE. US FLAG VESSELS TRANSPORTING A MINIMUM 25 PERCENT OF OUR TOBACCO EXPORTS TO JAPAN WOULD BE A GOOD INDICATION THAT THIS TRADE WERE OPEN TO COMPETITIVE FORCES. MR. INUI REPLIED IT

WOULD BE DIFFICULT FOR THE GOJ TO ASSURE US FLAG PARTICIPATION UP TO THAT PERCENTAGE FIGURE, BUT ON HIS RETURN TO JAPAN THE JAPANESE WOULD ANALYZE THE MATTER.

4. ADDRESSING THE COTTON WAIVER PROBLEM, MR. INUI MENTIONED THE GOJ HAD RECEIVED COMPLAINTS THAT MARAD' S FAILURE TO AUTHORIZE A GENERAL WAIVER FOR COTTON SHIPMENTS UNDER THE REVOLVING EXIMBANK CREDIT WAS IMPEDING THE DELIVERY OF COTTON AND PREJUDICING US COTTON EXPORTS TO

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JAPAN- DATA SUBMITTED BY HIM SHOWED THAT THROUGH MARCH, 1973, OUT OF A PROJECTED 850,000 BALES UNDER THE CREDIT, 339,108 BALES (92 PERCENT OF SHIPMENTS TO DATE) HAD BEEN SHIPPED ON US VESSELS AND THE REMAINDER, 20,183 BALES (8 PERCENT), ON JAPANESE FLAG VESSELS. COMBINED STATISTICS FOR COMMERCIAL AND EXIMBANK COTTON SHIPMENTS SHOWED A 60/40 (385,554 AND 315,595 BALES, RESPECTIVELY) PERCENTAGE SPLIT FAVORING US VESSELS. COTTON SHIPMENTS

FROM THE GULF, AND FROM CALIFORNIA TO A LESSER EXTENT, HE STATED, WERE BEHIND SCHEDULE COMPARED TO PREVIOUS YEARS AND 1972 IN PARTICULAR. IN THIS REGARD, IT WAS MOST UNLIKELY THAT THE FULL CREDIT WOULD BE EXPENDED THIS YEAR AS A RESULT. HOWEVER, THERE WAS REASON TO BELIEVE THAT THE JAPANESE TEXTILE SPINNERS ASSOCIATION WOULD PURCHASE AN ADDITIONAL 350,000 BALES IF A GENERAL WAIVER ON COTTON SHIPMENTS WERE GRANTED TO ALLOW EQUAL PARTICIPATION OF JAPANESE FLAG VESSELS.

5. MR. CASEY STATED THAT THE US POLICY WAS NOT TO IMPEDE AMERICAN COTTON EXPORTS AND US ACTION WITH RESPECT TO THE WAIVER SITUATION HAS NOT HAD AN ADVERSE EFFECT ON COTTON SHIPMENTS. MARAD HAS KEPT A CLOSE WATCH ON COTTON SHIPMENTS TO JAPAN AND HAS REVIEWED THE SITUATION PERIODICALLY WITH BOTH THE EXIMBANK AND THE COTTON COUNCIL OF AMERICA. WHEN US VESSELS WERE UNAVAILABLE TO CARRY COTTON, STATUTORY WAIVERS WERE GRANTED FOR EXIMBANK SHIPMENTS. JAPANESE STATISTICS SHOWING THAT ITS FLAG VESSELS HAVE CARRIED 5 AND 10 PERCENT OF THESE SHIPMENTS FROM THE GULF AND CALIFORNIA, RESPECTIVELY, ARE A REFLECTION OF THIS. FURTHER, STATUTORY WAIVERS HAVE BEEN AND CAN BE GRANTED TELEPHONICALLY IN THE COURSE OF A
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WORKING DAY. THERE HAS NOT BEEN ANY DELAY IN THE FIXING AND TRANSPORTING OF COTTON AS IT HAS BEEN DELIVERED DOCKSIDE FOR SHIPMENT. THAT COTTON SHIPMENTS UNDER THE CREDIT ARE BEHIND SCHEDULE MOST LIKELY IS THE RESULT OF A SLOWER THAN USUAL DRAW DOWN ON THE CREDIT BY THE JAPANESE, WHO, THE STATISTICS INDICATE HAVE ALSO INCREASED THEIR COMMERCIAL PURCHASES, AND THE US RAILROAD TRANSPORT SNAFU THAT HAS DEVELOPED, PARTICULARLY AT GULF PORTS, BECAUSE OF RUSSIAN GRAIN SHIPMENTS. MR. INUI INFORMED MR. CASEY HE WOULD INVESTIGATE THE COMPLAINTS FURTHER AND ADVISE US OF HIS FINDINGS. RUSH

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